

## SECURITIES AND EXCHANGE BOARD OF INDIA

## CONFIRMATORY ORDER

UNDER SECTIONS 11, 11(4) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992

IN THE MATTER OF FIVE CORE ELECTRONICS LIMITED –

| SL NO | NOTICEE(S)                    | PAN        |
|-------|-------------------------------|------------|
| 1     | FIVE CORE ELECTRONICS LIMITED | AAACF6709Q |
| 2     | AMARJIT SINGH KALRA           | AKWPK0803H |
| 3     | SURINDER KAUR KALRA           | AFMPK2461E |
| 4     | JAGJIT KAUR KALRA             | ANTPK4395G |
| 5     | AMARJIT SINGH KALRA HUF       | AAHHA8772Q |
| 6     | SURINDER SINGH KALRA          | AFYPK7984E |
| 7     | SURINDER SINGH KALRA HUF      | AAQHS3875P |

## BACKGROUND –

- Pursuant to receipt of certain complaints, Securities and Exchange Board of India (“SEBI”) had conducted a preliminary examination in the matter of Five Core Electronics Limited (“the company”), a company which had listed its shares on National Stock Exchange SME Platform on May 21, 2018 by issuing 33,33,000 equity shares of face value of Rs.10 each, at price of Rs.140 per equity share, raising about Rs.46 Crores. The said examination *prima facie* revealed that the company, its promoters / promoter group entities and /or independent directors (Noticee nos. 1 to 7 named in the Table above) had mis-utilized the funds raised through the IPO and there appeared to be a pre-meditated plan to lure investors with the intention to defraud them. Based on the findings of the examination, the Noticees were alleged to have *prima facie* violated the provisions of Regulation 3(d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices

Relating to Securities Market) Regulations, 2003 read with Section 12A(c) of the SEBI Act, 1992 and also various provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**LODR Regulations**”). In view of the same, SEBI had passed an *ex-parte* ad-interim order dated July 23, 2020 (“**Interim Order**”), vide which SEBI had *inter alia* issued the following directions:

- (a) *The Noticee nos. 1 to 7 are restrained from accessing the securities market and are further prohibited from buying, selling or otherwise dealing in securities in any manner whatsoever, either directly or indirectly, till further orders.*
- (b) *The Noticee nos. 1 to 7 are restrained from being associated with any intermediary registered with SEBI or any listed entity or its material unlisted subsidiary, till further orders.*
- (c) *The Noticee nos. 1 to 7, are restrained from disposing, selling or alienating, in any other manner, their assets or divert funds, till further orders.*
- (d) *NSE shall appoint an independent Auditor/ Audit Firm for conducting a detailed forensic audit of the books of accounts of the company to confirm mis-utilization of IPO proceeds by the company. Such appointment of forensic auditor shall be done within 30 days of this order.*
- (e) *The Noticee nos. 1 to 7 shall extend necessary co-operation to the independent Auditor/ Audit Firms appointed as per this Order and shall furnish all information/ documents sought from them from time to time.*
- (f) *The independent Auditor/ Audit Firm so appointed as per this Order shall submit a Report to SEBI through NSE within 3 months of date of its appointment.*

2. Prior to the issuance of the Interim Order, NSE had conducted visit to the company at its registered office, its manufacturing site and its R&D Centre on May 06, 2019. NSE observed that all these offices were shut and the same was not informed to the exchange.

Further, letters issued by SEBI during the preliminary examination to the company and its Executive Directors and Promoters at their respective addresses seeking their comments on the complaints had returned undelivered. The said letters were later affixed at the registered office of the company at Delhi. However, no replies/comments to the letters were received by SEBI from the company or its directors / promoters. Given that the letters sent to the Noticees' addresses during the preliminary examination had returned undelivered and there was no response from the company even after affixture of letters at its registered address, the Interim Order was served on the Noticees through email by sending to email IDs – [investcare@5core.in](mailto:investcare@5core.in), [cs@5core.in](mailto:cs@5core.in), [cfo@5core.in](mailto:cfo@5core.in) and [amarjitkalra@yahoo.co.uk](mailto:amarjitkalra@yahoo.co.uk). The Interim Order was also uploaded on the SEBI Website. Vide the Interim order, the Noticees were advised to file their replies to the Interim Order within 21 days and also indicate in their replies whether they wanted an opportunity of personal hearing. However, till date, no response whatsoever has been received from the Noticees.

3. As per the directions issued in the Interim Order, NSE had appointed BDO India LLP as a forensic auditor for conducting a detailed forensic audit of the books of accounts of the company to confirm mis-utilization of IPO proceeds by the company. Due to the closure of the company and the absence of its employees/management, the forensic auditor did not get access to books of accounts and the transactional documentation. However, the forensic auditor obtained limited data from different sources, which included bank statements, Limited Review Financial Statements, Prospectus & List of shareholders received from NSE; Bill discounting / packing credit details, sanction letters, customer outstanding details, credit reports etc. received from Andhra Bank; Partial records for

domestic purchase invoices, bank statements, GST Records received from IBC Resolution Professional; GST Returns (partial records) received from statutory auditor and purchase & sale documentation (partial records) received from Department of Revenue Intelligence. NSE, vide email dated January 25, 2021 submitted the final report of the forensic auditor the findings of which require detailed investigation by SEBI.

4. Considering the fact that the Noticees have failed to respond to the *prima facie* observations recorded against them in the Interim Order and also the fact that findings of the forensic audit report require detailed investigation, I find that there are no justifiable reasons for discontinuing or modifying the directions issued vide the Interim Order. However, it has now been brought to my notice that there is a proceeding under Insolvency and Bankruptcy Code, 2016 (IBC) against the company before the Hon'ble NCLT, New Delhi Bench (Court II), wherein an order dated January 23, 2020 [IB-1671(ND)2019] has been passed declaring a moratorium in terms of Section 14 of the IBC. The said moratorium has *inter alia* prohibited the following:

(a) *the institution of suits or continuation of pending suits or proceedings against the corporate debtor including execution of any judgement, decree or order in any court of law, tribunal, arbitration panel or other authority;*

(b) *transferring, encumbering, alienating or disposing of by the corporate debtor any of its assets or any legal right or beneficial interest therein.*

**ORDER –**

5. In view of the foregoing, in order to protect the interest of investors and the integrity of the securities market, I, in exercise of the powers conferred upon me under Section 19 read

with Sections 11, 11(4) and 11B of the SEBI Act, 1992, hereby confirm the directions issued against the Noticees, as contained in the Interim Order (reproduced under para 1 of this order), until further orders. However, as regards the company, the directions issued in the Interim Order as confirmed by this Order shall be subject to any order passed by the Hon'ble NCLT, including the abovementioned order dated January 23, 2020, in the abovementioned proceeding under the IBC.

6. A copy of this Order shall be forwarded to the recognized Stock Exchanges, Depositories and RTAs for their information and compliance.

**PLACE: MUMBAI**

**DATE: JULY 08, 2021**

**G. MAHALINGAM  
WHOLE TIME MEMBER  
SECURITIES AND EXCHANGE BOARD OF INDIA**